

Reverse Mortgages



Reverse mortgages allow seniors (ages 62 and up) to convert their home equity into tax-free cash while retaining the title to their homes. Unlike “regular” mortgages, reverse mortgages give payments to the borrower in lump sum or periodic payments, often not having to be repaid during a senior’s lifetime.

A reverse mortgage may be appropriate for seniors who:

- Need more money to live on,
- Want to remain in their home indefinitely, but
- Have no assets other than their home equity, &
- Are not concerned about leaving their home to children or other heirs.

However, reverse mortgages are expensive, involving higher fees and costs than other types of mortgages. Money received by a reverse mortgage may be considered “income” under certain government programs, making seniors ineligible for other types of benefits.

Reverse mortgages are sometimes offered in high-pressure solicitations that emphasize positives while concealing or evading discussion of costs, fees, and details. Do not take out a reverse mortgage in order to finance other investments. In the worst cases, reverse mortgages are offered by salespeople who want seniors to invest in unsuitable or even fraudulent investments. Beware of any salesperson who uses high-pressure tactics, recommends a reverse mortgage as a simple “one-size-fits-all” solution or who recommends that you commit to a reverse mortgage without exploring other options first. Both FHA (Home Equity Conversion Mortgage)

and Fannie Mae (Home Keeper) have reverse mortgage programs, and some lenders may also have other reverse mortgage options.

Do not commit to a reverse mortgage until you are sure it is right for you. Make sure you understand its terms and costs clearly. Find out how the repayment amount, interest, and fees will be computed. Explore other options. Call the CA Department of Corporations to verify the salesperson and company are properly licensed. Contact your local Area on Aging agency (find yours by calling Toll-Free 1-800-677-1116) for information about senior programs that supply rebates for energy costs, home and chore maintenance, property tax and/or health cost assistance.

NOTE: *Recent California legislation, effective January 1, 2007, prohibits lenders from requiring the purchase of an annuity as a condition of obtaining a reverse mortgage loan, mandates counseling from a housing counselor prior to final acceptance of the loan, and requires translation of the loan agreement into the applicant’s primary language.*